Trends and Demographics

This section includes:

HOUSEHOLD TAX ANALYSES

The following analyses illustrate the impact of selected County taxes on the "typical" household from FY 2001 to FY 2007. This period provides five years of actual data, estimates for FY 2006 based on year-to-date experience, and projections for FY 2007. Historical dollar amounts are converted to FY 2007 dollar equivalents for comparison purposes using the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington-Baltimore area. The Washington metropolitan area has experienced average annual inflation of 3.1 percent from FY 2001 to FY 2005. Preliminary projections for inflation in FY 2006 and FY 2007 are based on a forecast of 3.0 percent using the November 2005 issue of the Blue Chip Economic Indicators, and adjusting for the relatively higher rate of inflation that has occurred in the Washington area, compared nationally.

HOUSEHOLD TAXATION TRENDS: SELECTED CATEGORIES FY 2001 - FY 2007

The charts on the following pages show the trends in selected taxes (Real Estate Taxes, Personal Property Taxes, Sales Taxes and Consumer Utility Taxes) paid by the "typical" household in Fairfax County. It is important to note that the following data are not intended to depict a comprehensive picture of a household's total tax burden in Fairfax County.

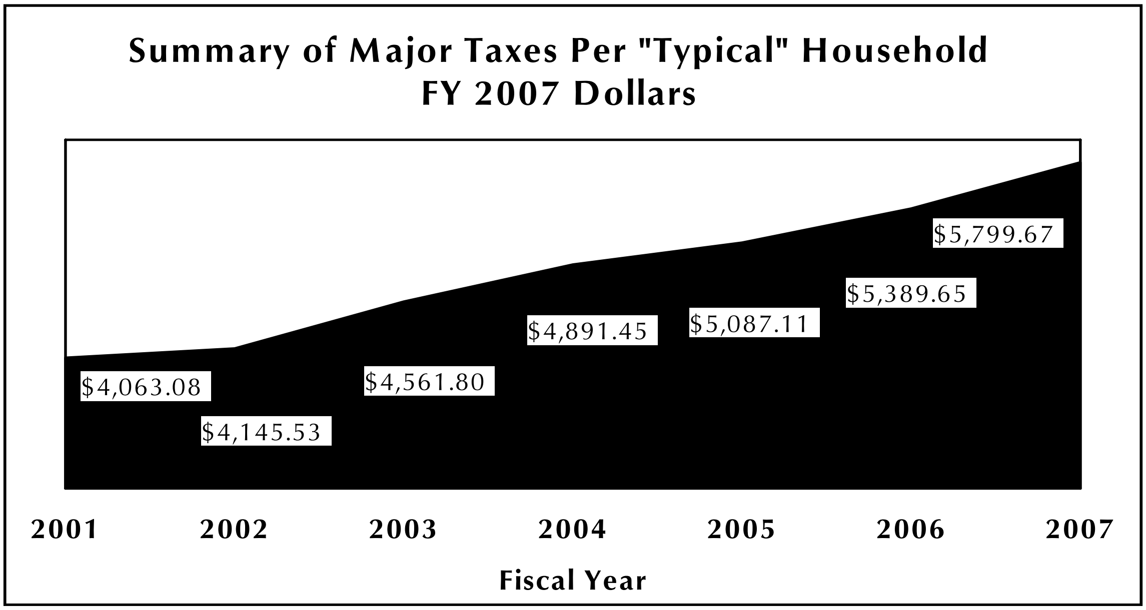
The "typical" household in Fairfax County is projected to pay $5,799.67 in selected County taxes in FY 2007, $410.02 more than FY 2006 after adjusting for inflation. From FY 2001 to FY 2007, the inflation adjusted increase in selected County taxes for the "typical" household is $1,736.59, or an average annual increase of 6.1 percent. Note that taxes paid in FY 2001 through FY 2007 reflect the Personal Property Tax Relief Act of 1998 (PPTRA), which reduced an individual’s Personal Property Tax liability by 47.5 percent in FY 2001, and 70.0 percent in FY 2002 through FY 2007. The PPTRA applies to vehicles valued up to $20,000 owned by individuals.

Summary of Major Taxes Per "Typical" Household

	Number of Households	Real Estate Tax in FY 2007 Dollars	Personal Property Tax in FY 2007 Dollars[1]	Sales Tax in FY 2007 Dollars	Consumer Utility Tax in FY 2007 Dollars	Total Taxes in FY 2007 Dollars[1]
FY 2001	358,149	$3,063.91	$447.09	$446.11	$105.97	$4,063.08
FY 2002	363,677	$3,376.61	$263.73	$403.80	$101.39	$4,145.53
FY 2003	366,585	$3,804.70	$265.47	$392.68	$98.95	$4,561.80
FY 2004	370,322	$4,111.16	$268.74	$417.30	$94.25	$4,891.45
FY 2005	377,600	$4,331.73	$250.84	$415.21	$89.33	$5,087.11
FY 2006[2]	384,149	$4,619.46	$259.11	$424.23	$86.85	$5,389.65
FY 2007[2]	390,811	$5,028.94	$261.92	$425.10	$83.71	$5,799.67

[1] Personal Property Taxes paid incorporate reductions in Personal Property Tax bills sent to citizens under the State's Personal Property Tax Relief program. FY 2001 include reductions of 47.5 percent and FY 2002 through FY 2007 include a 70.0 percent reduction. The difference in revenue will be paid to the County by the Commonwealth.

[2] Estimated.



Real Estate Tax Per "Typical" Household

	Mean Assessed Value of Residential Property	Tax Rate per $100	Tax per Household	Tax per Household in FY 2007 Dollars
FY 1991	$196,514	$1.11	$2,181.31	$3,307.96
FY 2001	$208,126	$1.23	$2,559.95	$3,063.91
FY 2002	$234,749	$1.23	$2,887.41	$3,376.61
FY 2003	$276,945	$1.21	$3,351.03	$3,804.70
FY 2004	$321,238	$1.16	$3,726.36	$4,111.16
FY 2005	$361,334	$1.13	$4,083.07	$4,331.73
FY 2006[1]	$448,491	$1.00	$4,484.91	$4,619.46
FY 2007[1]	$540,746	$0.93	$5,028.94	$5,028.94

[1] Estimated.

As shown in the preceding table, Real Estate Taxes per "typical" household are expected to increase $544.03 between FY 2006 and FY 2007 to $5,028.94, not adjusting for inflation. This increase is result of higher residential property assessments offset with a 7 cent reduction in the Real Estate Tax rate.

Since FY 2001, Real Estate Taxes have increased $2,468.99 or an average annual increase of 11.9 percent per year, not adjusting for inflation. Adjusted for inflation, Real Estate Taxes per "typical" household are $1,965.03 higher than FY 2001, an average annual increase of 8.6 percent. Since FY 1991, Real Estate Taxes have increased an average of 2.7 percent per year after adjusting for inflation. The Real Estate Tax rate is proposed to decrease from $1.00 per $100 of assessed value to $0.93 per $100 of assessed value in FY 2007. This tax decrease represents a savings of $378.52 per "typical" household as compared to the rate of $1.00 per $100 of assessed value. Cumulatively since FY 2002, the tax rate has been reduced 30 cents which equates to $3,295.36 less than what the typical residential taxpayer would have paid under the $1.23 rate each year.

Personal Property Tax
Per "Typical" Household

	Personal Property Taxes Attributed to Individuals	Number of Households	Tax per Household	Tax per Household in FY 2007 Dollars	After PPTRA: Adjusted Tax per Household[1]	After PPTRA: Adjusted Tax per Household in FY 2007 Dollars[1]
FY 2001	$254,831,615	358,149	$711.52	$851.60	$373.55	$447.09
FY 2002	$273,395,166	363,677	$751.75	$879.12	$225.53	$263.73
FY 2003	$285,711,943	366,585	$779.39	$884.90	$233.82	$265.47
FY 2004	$300,683,961	370,322	$811.95	$895.80	$243.59	$268.74
FY 2005	$297,598,959	377,600	$788.13	$836.13	$236.44	$250.84
FY 2006[2]	$322,120,479	384,149	$838.53	$863.69	$251.56	$259.11
FY 2007[2]	$341,199,179	390,811	$873.05	$873.05	$261.92	$261.92

[1] Personal Property Taxes paid incorporate reductions in Personal Property Tax bills sent to citizens under the State's Personal Property Tax Relief program. FY 2000 and FY 2001 include reductions of 27.5 percent and 47.5 percent, respectively; and, FY 2002 through FY 2007 include a 70.0 percent reduction. The difference in revenue will be paid to the County by the Commonwealth.

[2] Estimated.

Personal Property Taxes paid by the "typical" household are shown in the preceding chart. Taxes paid in FY 2000 through FY 2007 reflect the Commonwealth of Virginia's Personal Property Tax Relief Act (PPTRA), which reduced an individual's Personal Property Tax payment by 47.5 percent in FY 2001, and 70.0 percent in FY 2002 through FY 2006. It should be noted that a 70 percent reduction has also been assumed in FY 2007. However, beginning in FY 2007, statewide reimbursements will be capped at $950 million. Each locality will receive a percentage allocation from this fixed amount determined by the locality's share of statewide tax year 2005 collections. Based on County staff analysis, the effective state reimbursement percentage is expected to be between 60 percent and 70 percent which means the taxpayers' share may increase.

The tax per household analysis shown above assumes that the "typical" household's vehicle(s) are valued at $20,000 or less in order to qualify for a reduction under the PPTRA. In FY 2007, the "typical" household is estimated to pay $261.92 in Personal Property Taxes (based on a 70 percent State share), or $111.63 less than was paid in FY 2001, not adjusting for inflation. When adjustments are made for inflation, the "typical" household is projected to pay $185.17 less in FY 2007 than FY 2001. There have been no changes to the Personal Property Tax rate of $4.57 per $100 of assessed value for individuals during the FY 2001 to FY 2007 period, except for mobile homes and boats which are taxed at the prevailing Real Estate Tax rate each fiscal year.

Sales Tax
Per "Typical" Household

	Total Sales Tax	Number of Households	Tax per Household	Tax per Household in FY 2007 Dollars
FY 2001	$133,492,619	358,149	$372.73	$446.11
FY 2002	$125,577,043	363,677	$345.30	$403.80
FY 2003	$126,785,250	366,585	$345.85	$392.68
FY 2004	$140,070,124	370,322	$378.24	$417.30
FY 2005	$147,781,944	377,600	$391.37	$415.21
FY 2006[1]	$158,222,129	384,149	$411.88	$424.23
FY 2007[1]	$166,133,236	390,811	$425.10	$425.10

[1] Estimated.

As shown in the table above, FY 2007 Sales Tax paid per household is estimated to be $425.10 or $52.37 more than FY 2001, not adjusting for inflation. This represents an average annual increase of just 2.2 percent since FY 2001. Taking inflation into account, Sales Tax paid per household has dropped $21.01 over the same period.

Because this analysis assumes all Sales Taxes are paid by individuals living in Fairfax County, the impact on the typical household is somewhat overstated. A portion of the County's Sales Tax revenues are paid by businesses and non-residents who either work in the County or are visiting. As the County becomes more of a major employment center in the region, the contribution of non-residents to the County's Sales Tax revenues will grow in significance.

Consumer Utility Taxes
Per "Typical" Household

	Total Consumer Utility Taxes Paid by Residential Consumers	Number of Households	Tax per Household	Tax per Household in FY 2007 Dollars
FY 2001	$31,711,021	358,149	$88.54	$105.97
FY 2002	$31,530,699	363,677	$86.70	$101.39
FY 2003	$31,949,053	366,585	$87.15	$98.95
FY 2004	$31,637,279	370,322	$85.43	$94.25
FY 2005	$31,795,110	377,600	$84.20	$89.33
FY 2006[1]	$32,389,825	384,149	$84.32	$86.85
FY 2007[1]	$32,713,723	390,811	$83.71	$83.71

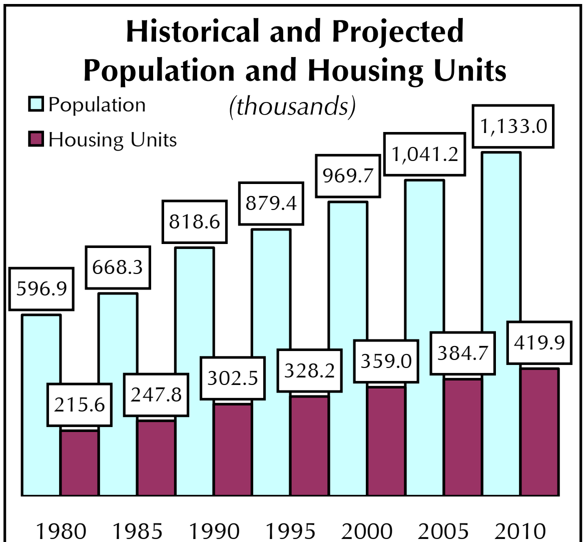
[1] Estimated.

Based on data from the utility companies, it is estimated that residential consumers pay approximately 43.0 percent of the Electric Taxes, 73.0 percent of the Gas Taxes, and 25.0 percent of the Telephone Taxes received by the County. In FY 2007, the "typical" household will pay an estimated $83.71 in Consumer Utility Taxes, $4.83 less than in FY 2001 without adjusting for inflation. From FY 2001 to FY 2007, the "typical" household has experienced an average annual decrease of 3.9 percent, or $22.26 over the period, adjusted for inflation.

DEMOGRAPHIC TRENDS

Demographic trends strongly influence Fairfax County's budget. Changing demographics or population characteristics affect both the cost of government services provided as well as tax revenues. The descriptions and charts contained in this section provide some examples of how various demographic trends affect the Fairfax County budget. Although these trends are discussed separately, the interactions between these demographic trends ultimately influence the direction of expenditures and revenues. While certain demographic trends may suggest reduced expenditures in a program area, other demographic trends may increase program expenditures at the same time. The following information is based on the most recent data available at the time of publication. Calendar year 2004 has been updated to include the 2004 American Community Survey where data are available.

Population and Housing

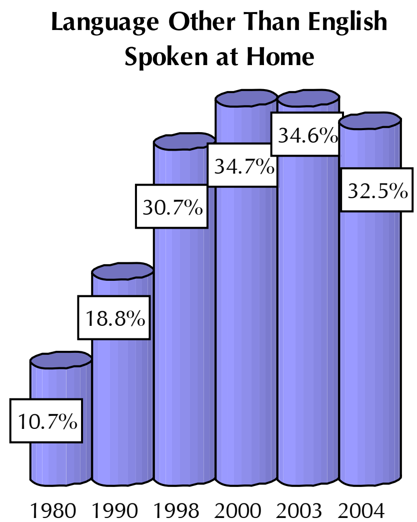


Source: Fairfax County Department of Systems Management for Human Services.

Some of the strongest demographic influences on Fairfax County expenditures and revenues are those associated with the growth in total population and housing units. Fairfax County experienced dramatic population growth during the 1980s, adding an average of more than 22,000 residents per year. This growth moderated during the 1990s to average growth just over 15,000 residents per year. Although population growth in the 1990s was slower than that of the 1980s, the increase in Fairfax County's population between 1990 and 2000 is comparable to adding more than the entire population of the City of Alexandria to the County. The County's population growth has continued to moderate. Between 2000 and 2005, the County added an average of 14,300 residents per year.

In 2005, Fairfax County had an estimated population of 1,041,200 residents. The population is expected to grow to 1,058,900 in 2006, 1,077,000 in 2007 and 1,133,000 in 2010. From 1980 to 1990, the number of housing units in Fairfax County increased more rapidly (40 percent) than population (37 percent). This was due to the construction boom of the 1980s. Between 1990 and 2000, housing units grew at 18.7 percent, just slightly above population growth of 18.5 percent. From 2000 to 2005; this trend continued, population growth at 7.4 percent exceeded housing unit growth of 7.2 percent. Projected increases in population and housing units through 2010 show a continuation of the trend where growth in housing units tracks closely with or exceeds population growth. For 2005 through 2010, population and housing units are anticipated to grow 8.8 percent and 9.1 percent, respectively. This trend reversal has contributed to the limited supply of available housing and is a factor in rising real estate assessments. Many County programs, such as fire prevention, transit, water and sewer, are impacted by the number of housing units. Other program areas such as libraries, recreation, and schools, are impacted more by the growth in population.

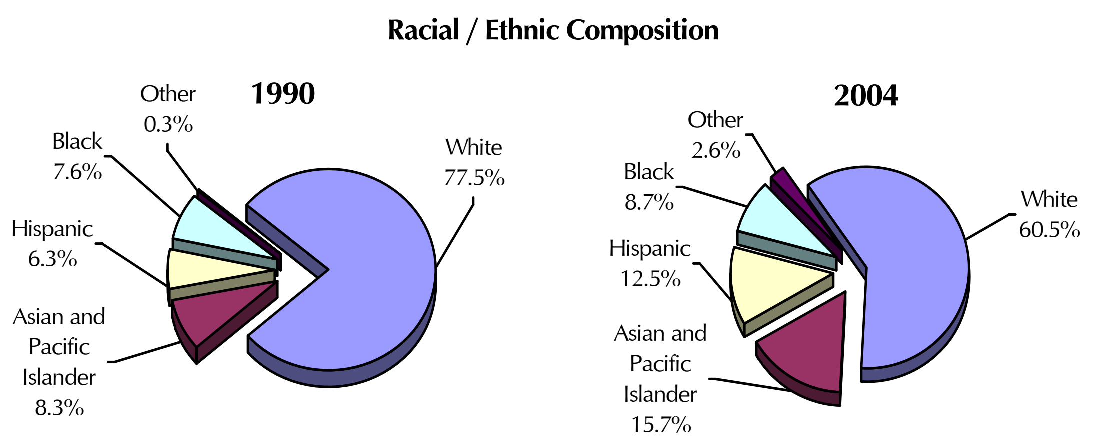
Cultural Diversity



Sources: 1980 and 1990 U.S. Decennial Censuses; 1998 Household Survey; 2000 Fairfax-Falls Church Community Assessment Survey; 2003 and 2004 American Community Surveys.

Fairfax County has a very diverse population. As of 2004, the number of persons, age 5 years and older, speaking a language other than English at home has increased dramatically since 1980 to over 300,000 residents. In 1980, only 10.7 percent of residents age 5 years or older spoke a language other than English at home. By 1990, this percentage had risen to 18.8 percent. In 2004, almost a third of the County's residents, 32.5 percent, age 5 years or older spoke a language other than English at home. The most frequently spoken languages other than English include Spanish, Korean, Vietnamese and Chinese.

These language trends affect many County programs. For example, the Fairfax County Public Schools have experienced rapid growth in English for Speakers of Other Languages (ESOL) programs. Between FY 1995 and FY 2005 total public school membership increased 17 percent while ESOL enrollment increased 167 percent. Many general government programs also are affected by the County's cultural and language diversity. As with the public schools, the courts, police, fire and emergency medical services, programs dealing with taxes and licenses, and human service programs must devise ways to effectively communicate with these citizens for whom English is a second language.



Sources: 1990 U.S. Decennial Census and 2004 American Community Survey.
NOTE: Percents may not sum to 100.0 due to rounding.

In 1990, racial and ethnic minorities comprised less than a quarter of Fairfax County's population. In 2004, these groups comprised almost 40 percent of County residents. Hispanics have been the most rapidly growing group, followed by Asians and Pacific Islanders. These two minority groups are expected to be the County's fastest growing racial or ethnic groups during the next five years. Among Asian and Hispanic residents, almost 80 percent speak a language other than English at home. As Fairfax County's population continues to become more diverse, the percentage of persons speaking a language other than English at home is anticipated to continue to increase over the next five years.

Population Age Distribution

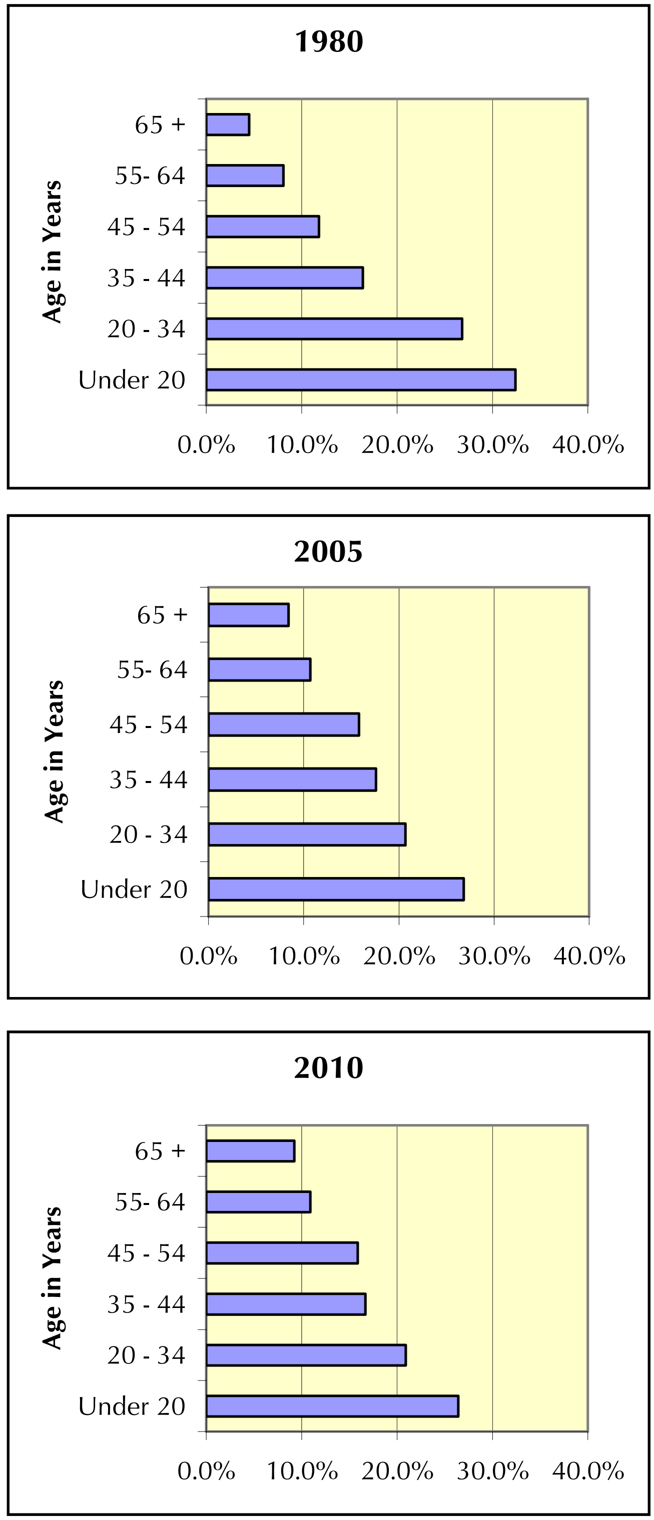
Fairfax County's population has grown steadily older since 1980. This trend is projected to continue through 2010. Although children age 19 years and younger grew by over 100,000 between 1980 and 2005, they became a smaller proportion of total population, dropping from 32.4 percent of the population to 26.8 percent. This trend is expected to continue through 2010, with their overall share decreasing slightly. As baby boomers age, the percentage of the population of 20 to 34 year olds and adults age 35 to 44 years will shrink by 2010.

The number of adults age 45 to 54 years expanded rapidly between 1980 and 2005 as the first "baby boomers" reached their fifties. This age group's steep growth trend will moderate in the coming years. Between 2005 and 2010, the number persons age 45 to 54 will remain steady as the last of the "baby boom" generation enters this age group and the oldest "baby boomers" move to the next age group.

The most briskly growing group between 1980 and 2005 was seniors age 65 years and older. Seniors are expected to continue to be the most rapidly expanding groups through 2010.

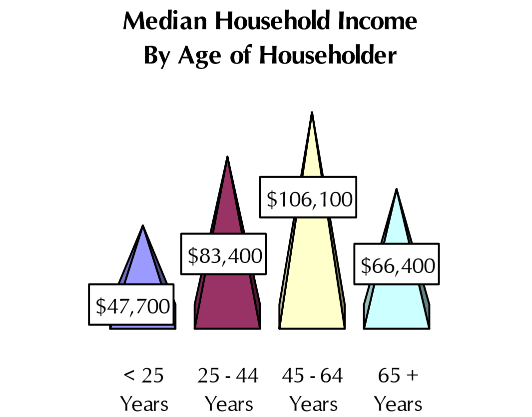
The age distribution of Fairfax County's population strongly influences the demand and, therefore, the costs of providing many local government services. For example, the number, location, and size of school and day care facilities are directly affected by the number and proportion of children. Transportation expenditures for both street maintenance and public transportation are influenced by the number and proportion of driving age adults and their work locations. The number and percentage of persons age 65 years and older will affect expenditures for programs for seniors such as health care and will impact revenue as more people reach the age eligible to apply for Real Estate Tax Relief. Public safety programs also are affected by age demographics. Crime rates, for example, are highest among persons age 15 to 34. In addition, the youngest and the oldest drivers have the greatest probability of being involved in traffic accidents.

Population Age Distribution



Sources: 1980 U.S. Decennial Census; 2005 and 2010 Fairfax County Department of Systems Management for Human Services.

Household Income

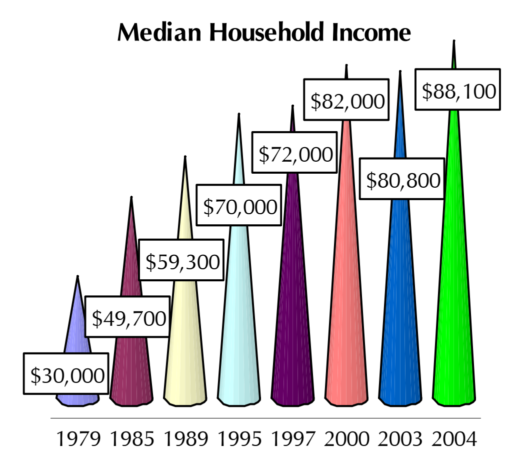


Source: 2004 American Community Survey.

Fairfax County tax revenues also are affected by population age distributions. Income peaks among persons age 45 to 64 years, who are in their prime earning years. As the number of households headed by this age group expands during the next 15 to 20 years, some tax revenues will be stimulated. These householders, who are part of the "baby boom" generation, will fuel demand for trade-up housing, which affects a myriad of tax categories such as the Real Estate Tax and Recordation Taxes. With their higher incomes, they also have greater discretionary income for spending on goods and services, thereby increasing revenue from sales taxes. The median income for heads of households between the ages of 45 and 64 was $106,100 in 2004.

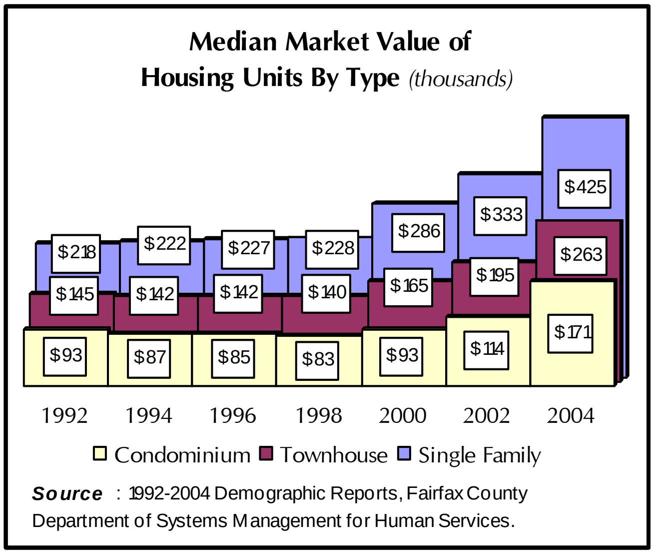
The median household income of households headed by a person age 65 or older falls to $66,400. A population containing a larger number of seniors, age 65 and older, will put downward pressure on tax revenues. These senior households have less discretionary income to spend, on average, own fewer motor vehicles; and are more likely to qualify for tax relief or discounted fees.

From 1979 through 1989, the growth in Fairfax County's median household income exceeded inflation, increasing 7.1 percent, adjusted for inflation. As a result, households in Fairfax County had more discretionary income to spend or save. Between 1989 and 1997, however, the growth in Fairfax County's median income just kept pace with inflation, as measured by the Washington Area Consumer Price Index. Inflation adjusted median household income increased only 2.5 percent between 1989 and 1997. This trend continued between 1997 and 2003 as inflation adjusted median household income increased 1.9 percent. However, median household income grew robustly to $88,100 in 2004, a 9.0 percent increase over 2003. In 2004, Fairfax County possessed the highest median household income for counties with a population of 250,000 or more. In addition, among the 37 counties with populations of 1 million or greater in 2004, Fairfax County was only one of two that showed an increase in median household income.



Sources: 1980 and 1990 U.S. Decennial Censuses; 1986, 1996, and 1998 Household Surveys; 2000 Fairfax-Falls Church Community Assessment Survey; and the 2003 and 2004 American Community Surveys.

Income growth does not affect Fairfax County tax revenues directly because localities in Virginia do not tax income; however, revenues are indirectly affected because changes in income impact the County's economic health. Tax categories affected by income include Sales Tax receipts, Residential Real Estate Taxes and Personal Property Taxes.



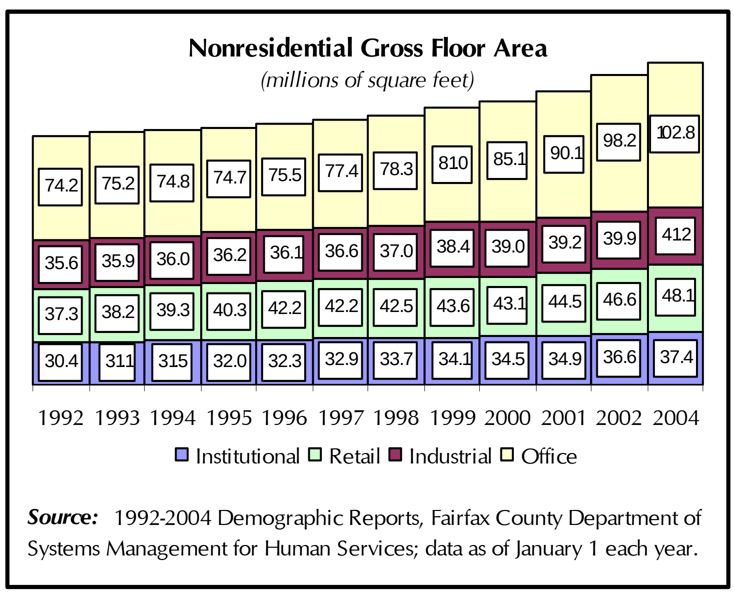
Median Market Value of Housing

The median market values of single family, townhouse, and apartment condominium housing increased dramatically through the 1980s but waned throughout the 1990s. Prices started to rebound in 1999. By 2004, the median market value of single family homes, which comprise nearly 50 percent of the County's total housing units, rose dramatically to $424,945, an increase of $92,000 in two years. The median market value of townhouses also increased considerably to $263,340 and apartment style condominium values increased to $171,363. The 2004 average rental complex rent was $1,157.

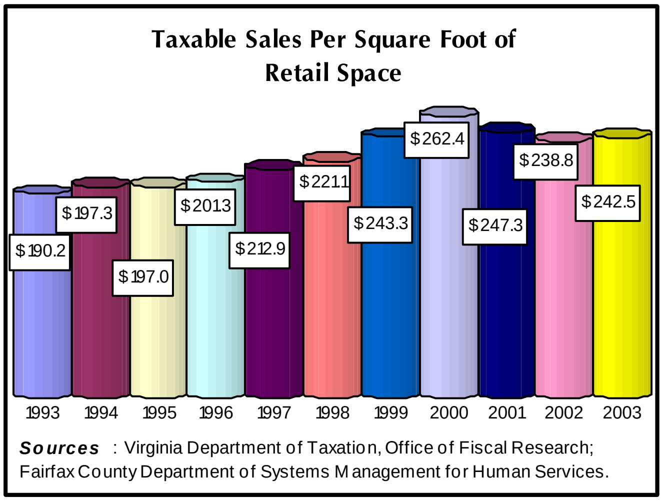
In FY 2007, Real Estate Tax revenue makes up nearly 60 percent of all General Fund Revenues and residential properties comprise the majority of the value of the Real Estate Tax base. Thus, the residential housing market has a very strong impact on Fairfax County's revenues. In 1979, the median market value of housing was 2.5 times greater than median household income. During the 1980s the median market value of housing grew much more rapidly than median household income. By 1990, the median market value of housing was more than three times the median household income. This trend has continued into 2004, as the median market value of all housing units is $349,000 or 4.3 times the median household income of $88,100.

Nonresidential Space

The amount and value of nonresidential space in Fairfax County has a major impact on revenues and expenditures. Business activity affects Real Estate Tax revenues, business Personal Property Tax revenues, Business, Professional and Occupational License Tax revenues, Sales Tax revenues and Consumer Utility Tax revenues. Business expansion also affects expenditures for water and sewer services, transportation improvements and services, police and fire services, and refuse disposal. Since 1992, the total nonresidential gross floor area in Fairfax County has increased by 51.9 million square feet. Retail and office space have comprised most of this growth. Specifically, retail space increased by 10.8 million square feet and office space increased by 28.6 million square feet. Growth in the amount of nonresidential space in the County generally indicates an increase in the County's business base and thus, an increase in Real Estate Tax revenues. The impact on County revenues will also be influenced by factors such as vacancy rates and the income generating ability of the nonresidential space.



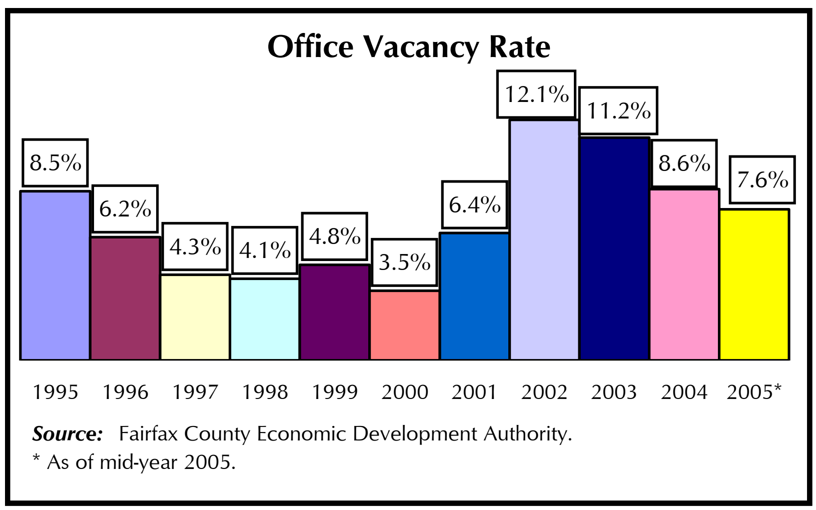
Taxable Sales Per Square Foot of Retail Space



Taxable sales per square foot of retail space are an indicator of the health of the retail sales market in Fairfax County and a gauge of the income generating potential of retail space. After decreasing during the 1991-1992 recession, 1994 retail square footage returned to a level experienced in the late 1980s. In calendar year 1995, total taxable sales increased 2.2 percent but taxable sales per square foot of retail space exhibited a slight drop to $197.0 per square foot. Thus, the amount of available retail space in Fairfax County grew faster than taxable sales.

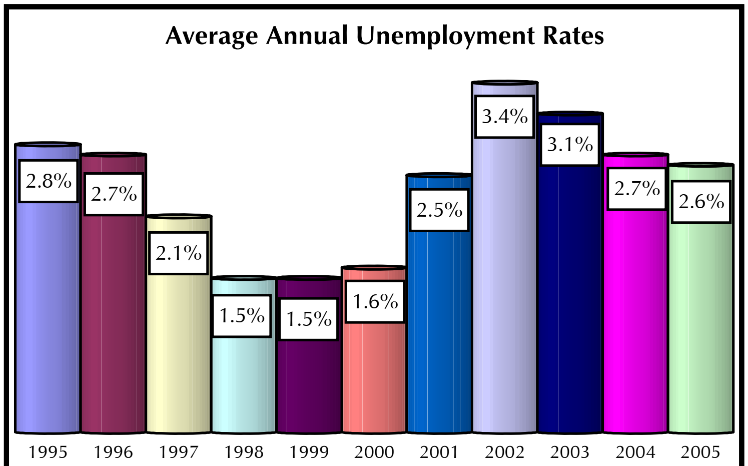
Between 1995 and 2000, taxable sales per square foot of retail space increased to $262.4, or 33.2 percent. When adjusted for inflation, taxable sales per square foot of retail space increased faster than inflation from 1997 to 2000. Real growth in taxable sales per square foot of retail space generally indicates a profitable retail sales market and encourages retail expansion. A healthy retail sales market generates increasing tax revenues for the County. After declining for two consecutive years in 2001 and 2002, taxable sales per square foot of retail space increased in 2003 to $242.5. However, the 2003 level remains below the levels reached between 1999 and 2001.

Office Vacancy Rates



Due to overbuilding, Fairfax County had a glut of office space in the late 1980s and early 1990s. According to the Fairfax County Economic Development Authority (EDA), office vacancy rates peaked at 18.3 percent in 1990 and steadily declined through 2000 when the rate fell to 3.5 percent–the lowest office vacancy rate in more than 15 years. The low office vacancy rate was attributable to high demand for space especially by technology related firms during the "tech boom" of the late 1990s. The vacancy rate dropped in 2000 despite an increase in office inventory of more than 5.2 million square feet over the year. By 2002, however, the office vacancy rate more than tripled as a result of the economic slow-down, particularly in the technology sector. The vacancy rate improved in 2003, and again in 2004, declining to 8.6 percent – the first time since 2001 that the office vacancy rate fell below 10 percent. As of mid-year 2005, the office vacancy rate dropped even further, to 7.6 percent – the lowest rate since 1996. The improved office vacancy rate is attributable to the growth in the consulting, defense contracting and government services industries. As of mid-year 2005, Fairfax County's vacancy rate was lower than the rates for Los Angeles, Chicago and Atlanta. In addition, as vacancy rates continue to decline, speculative development is anticipated to increase. EDA anticipates 14 buildings totaling 1.2 million square feet to be delivered in 2006. Various sub-markets in the County may have higher or lower vacancy rates. Including sublet space, the office vacancy rate for mid-year 2005 is 10.1 percent, down from 11.6 percent recorded at year-end 2004. These trends impact tax revenues from office properties, which comprised 44.8 percent of the gross floor area of all nonresidential property.

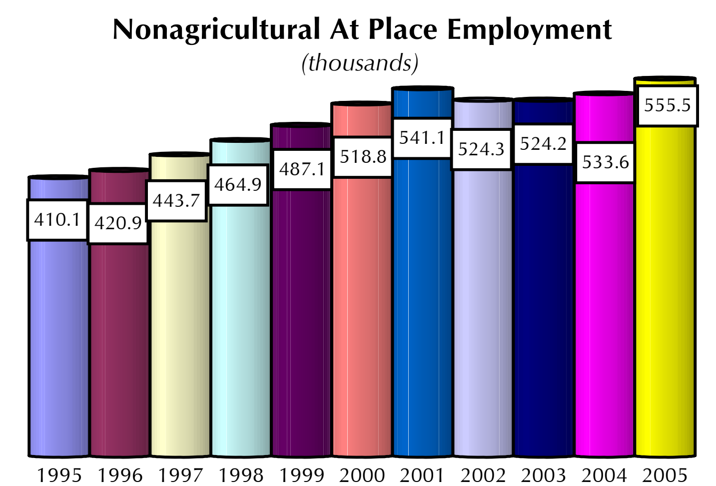
Employment



Source: Virginia Employment Commission (VEC).
Note: 2005 data through November.

Unemployment rates indicate the health of the Fairfax County economy by showing how many Fairfax County residents who desire to work but are unable to find employment. Residents of Fairfax County have experienced relatively low unemployment rates even during business cycle recessions. The annual unemployment rate in 1998 and 1999 was 1.5 percent–the lowest rate in over a decade. Unemployment increased in 2002 to the highest level since 1994, 3.4 percent, due to the effects of the September 11 attacks and a decline in the technology sector. As the availability of jobs grew and employment increased due to a rebound in economic activity, primarily spurred by an increase in federal procurement, the unemployment rate fell to 3.1 percent in 2003 and to 2.7 percent in 2004. The average unemployment rate for Fairfax County through November 2005 has remained relatively unchanged at 2.6 percent.

At place employment provides an indication of the number of jobs generated by businesses located in Fairfax County. Business and employment growth generate additional tax revenues and additional expenditures for Fairfax County. According to data from the Virginia Employment Commission, the number of jobs in Fairfax County expanded by approximately 131,000 positions from 1995 to 2001 and unemployment rates fell dramatically. From 2001 to 2003, however, Fairfax County employment dropped 16,900 and the unemployment rate rose. Employment began to rebound in 2004, with the number of jobs increasing to approximately 533,600, an increase of almost 10,000 jobs. As of March 2005, the number of jobs increased to 555,500. This represents an increase of 22,000 jobs in Fairfax County over March 2004.



Source: Virginia Employment Commission (VEC).